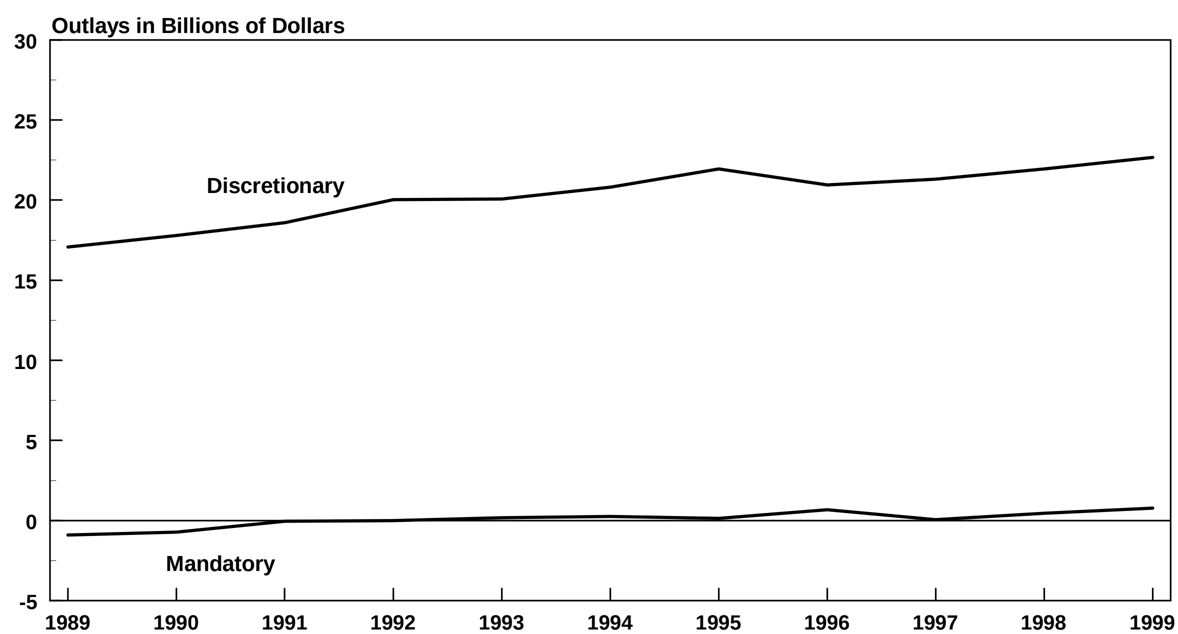
# 300

# Natural Resources and Environment

Budget function 300 supports programs administered by the Army Corps of Engineers, the Department of Agriculture, the Department of the Interior, the Environmental Protection Agency, and the Department of Commerce's National Oceanic and Atmospheric Administration. Those programs involve water resources, conservation, land management, pollution control, and natural resources. CBO estimates that discretionary outlays for function 300 will total almost $23 billion in 1999; discretionary budget authority provided for this year totals $23.5 billion. Over the past 10 years, spending under this function has stayed constant at about 1.4 percent of federal outlays.



# 300-01 INCREASE NET RECEIPTS FROM NATIONAL TIMBER SALES

| | Savings (Millions of dollars) Budget Authority | Outlays |
|---|---|---|
| **Annual** | | |
| 2000 | 30 | 20 |
| 2001 | 45 | 40 |
| 2002 | 60 | 55 |
| 2003 | 75 | 70 |
| 2004 | 100 | 90 |
| 2005 | 120 | 110 |
| 2006 | 120 | 120 |
| 2007 | 125 | 125 |
| 2008 | 130 | 130 |
| 2009 | 135 | 130 |
| **Cumulative** | | |
| 2000-2004 | 310 | 275 |
| 2000-2009 | 940 | 890 |

SPENDING CATEGORY:

The net of reduced discretionary outlays and forgone mandatory receipts.

RELATED OPTION:

300-07

The Forest Service (FS) manages federal timber sales from 119 national forests. In fiscal year 1997, the FS sold roughly 3.7 billion board feet of public timber. Purchasers may harvest the timber over several years and pay the FS upon harvest. The total fiscal year 1997 harvest, approximately 3.3 billion board feet, represented a continuing decline in volume from previous years. According to *Timber Sales Program Annual Reports* published by the FS, in fiscal years 1996 and 1997, the FS spent more on the timber program than it collected from companies harvesting the timber. In 1997, the timber expenses reported by the FS exceeded timber receipts by about $90 million. The annual reports exclude receipt-sharing payments to states from the calculation of timber expenses. When such payments are included, timber expenses exceeded receipts by more than $160 million (or almost 30 percent) in fiscal year 1997.

The FS does not maintain the data needed to estimate annual timber receipts and the expenditures associated with each individual timber sale. Therefore, it is hard to determine precisely the possible budgetary savings from phasing out all timber sales in the National Forest System for which expenditures are likely to exceed receipts. To illustrate the potential savings, however, this option estimates the reduction in net outlays in the federal budget from eliminating all future timber sales in five National Forest System regions for which imbalances between cash receipts and expenditures were prominent in fiscal years 1996 and 1997.

In those five regions (the Northern, Rocky Mountain, Southwestern, Intermountain, and Alaska regions), cash expenditures exceeded cash receipts by at least 30 percent in 1996 and 1997. Eliminating all future timber sales from those regions would reduce the FS's discretionary outlays for the 2000-2009 period by about $1,495 million; timber receipts (which are categorized as mandatory) would fall by about $600 million after subtracting payments to states, producing net savings of $890 million. (Hence, the savings estimates are the net effect of changes in both discretionary and mandatory budgets.)

Timber sales for which spending exceeds receipts have several potential drawbacks. They may lead to reductions in the federal surplus, excessive depletion of federal timber resources, and destruction of roadless forests that have recreational value.

Potential advantages of the sales include community stability in areas dependent on federal timber for logging and other related jobs. Timber sales also improve access to the land—as a result of road construction—for fire protection and recreation.

# 300-02 IMPOSE A FIVE-YEAR MORATORIUM ON LAND PURCHASES BY THE DEPARTMENTS OF AGRICULTURE AND THE INTERIOR

| | Savings (Millions of dollars) Budget Authority | Outlays |
|---|---|---|
| **Annual** | | |
| 2000 | 319 | 109 |
| 2001 | 319 | 224 |
| 2002 | 319 | 296 |
| 2003 | 319 | 319 |
| 2004 | 319 | 319 |
| 2005 | 319 | 319 |
| 2006 | 319 | 319 |
| 2007 | 319 | 319 |
| 2008 | 319 | 319 |
| 2009 | 319 | 319 |
| **Cumulative** | | |
| 2000-2004 | 1,595 | 1,267 |
| 2000-2009 | 3,190 | 2,862 |

SPENDING CATEGORY:

Discretionary

For 1999, the Departments of Agriculture and the Interior have received appropriations of about $329 million to buy land that is generally used to create or expand designated recreation and conservation areas, including national parks, national forests, wilderness areas, and national wildlife refuges. This option proposes placing a 10-year moratorium on future appropriations for land acquisition by those departments. It would provide for a small annual appropriation ($10 million) to cover emergency acquisition of important tracts that became available on short notice, compensation to "inholders" (landholders whose property lies wholly within the boundaries of an area set aside for public purposes, such as a national park), and ongoing administrative expenses.

Proponents of this option argue that land management agencies should improve their stewardship of the lands they already own before taking on additional management responsibilities. In many instances, the National Park Service, the Forest Service, and the Bureau of Land Management find it difficult to maintain and finance operations on their existing landholdings. Furthermore, given the limited operating funds of those agencies, environmental objectives such as habitat protection and access to recreation might be best met by improving management in currently held areas rather than providing minimal management over a larger domain. Supporters of this option also argue that the federal government already owns enough land. Currently, about 650 million acres—approximately 30 percent of the United States' land mass—belong to the government, according to the General Services Administration. The sentiment that that amount is sufficient is particularly strong in the West, where the government owns about 62 percent of the land area in 11 states.

Opponents of this option argue that future land purchases are necessary to achieve ecosystem management objectives and fulfill existing obligations for national parks. Much of the land targeted by the Congress for new and expanded federal reserves is privately held, and acquiring it will require purchases. Furthermore, encroaching urban development and related activities outside the boundaries of national parks and other federal landholdings may be damaging the federal resources. Land acquisition is an important tool for mitigating that problem. Acquisitions that consolidate landholdings may also help improve the efficiency of public land management.

# 300-03 ELIMINATE FEDERAL GRANTS FOR WATER INFRASTRUCTURE

| | Savings (Millions of dollars) Budget Authority | Outlays |
|---|---|---|
| **Annual** | | |
| 2000 | 2,527 | 127 |
| 2001 | 2,527 | 505 |
| 2002 | 2,527 | 1,263 |
| 2003 | 2,527 | 2,022 |
| 2004 | 2,527 | 2,401 |
| 2005 | 2,527 | 2,401 |
| 2006 | 2,527 | 2,401 |
| 2007 | 2,527 | 2,401 |
| 2008 | 2,527 | 2,401 |
| 2009 | 2,527 | 2,401 |
| **Cumulative** | | |
| 2000-2004 | 12,635 | 6,318 |
| 2000-2009 | 25,270 | 18,323 |

SPENDING CATEGORY:

Discretionary

RELATED OPTION:

450-01

RELATED CBO PUBLICATION:

*The Economic Effects of Federal Spending on Infrastructure and Other Investments* (Paper), June 1998.

The Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA) require municipal wastewater and drinking water systems to meet certain performance standards to protect the quality of the nation's waters and the safety of its drinking water supply. The CWA provides financial assistance so communities can construct wastewater treatment plants that comply with the act's provisions. The 1996 amendments to the SDWA authorized a state revolving loan program for drinking water infrastructure. For 1999, the Congress appropriated about $2.5 billion for water infrastructure programs, including funds for wastewater programs and the new program for drinking water facilities. Ending all funding of new water infrastructure projects after 1999 would save $18.3 billion through 2009 measured against the 1999 funding level.

Title II of CWA provides for grants to states and municipalities for constructing wastewater treatment facilities. As amended in 1987, the CWA phased out title II grants and authorized a new grant program under title VI to support state revolving funds (SRFs) for water pollution control. Under the new system, states continue to receive federal grants, but now they are responsible for developing and operating their own programs. For each dollar of title VI grant money a state receives, it must contribute 20 cents to its SRF. States use the combined funds to make low-interest loans to communities for building or upgrading municipal wastewater treatment facilities. Although authorization for the SRF program under CWA has expired, the Congress continues to provide annual grant appropriations.

As amended in 1996, the SDWA authorizes the Environmental Protection Agency to make grants to states for capitalizing revolving loan funds for treating drinking water. As with CWA's wastewater SRF program, states may use those funds to make low-cost financing available to public water systems for constructing facilities to treat drinking water. In 1999, the Congress appropriated $775 million for capitalization grants for drinking water SRFs.

Proponents of eliminating federal grants to water-related SRFs say such grants may encourage inefficient decisions about water treatment by allowing states to loan money at below-market interest rates. Below-market loan rates could reduce incentives for local governments to find less costly alternatives for controlling water pollution and treating drinking water. In addition, federal contributions to wastewater SRFs were intended to help move toward full state and local financing of the funds by 1995. Thus, proponents of ending federal grants to those SRFs argue that the program was intended to be temporary and may have replaced, rather than supplemented, state and local spending.

Opponents of such cuts argue that states and localities could have trouble meeting the federal treatment deadlines without continued federal support—both because repayments to the SRFs would be too small to fund new projects and because states would be unable to handle the additional cost of offsetting decreased federal contributions.

Opponents of the cuts also have concerns about helping small and economically disadvantaged communities that have had the most difficulty complying with CWA and SDWA requirements. Some people who oppose eliminating the federal grants maintain that doing so would increase the burden of unfunded federal mandates on state and local governments.

## 300-04 SPEND THE REMAINING BALANCE OF THE SUPERFUND TRUST FUND AND TERMINATE THE PROGRAM

| | Savings (Millions of dollars) Budget Authority | Outlays |
|---|---|---|
| **Annual** | | |
| 2000 | 0 | 0 |
| 2001 | 1,500 | 375 |
| 2002 | 1,500 | 900 |
| 2003 | 1,500 | 1,200 |
| 2004 | 1,500 | 1,350 |
| 2005 | 1,500 | 1,425 |
| 2006 | 1,500 | 1,425 |
| 2007 | 1,500 | 1,425 |
| 2008 | 1,500 | 1,425 |
| 2009 | 1,500 | 1,425 |
| **Cumulative** | | |
| 2000-2004 | 6,000 | 3,825 |
| 2000-2009 | 13,500 | 10,950 |

SPENDING CATEGORY:

Discretionary

Since 1981, the Superfund program of the Environmental Protection Agency (EPA) has been charged with cleaning up the nation's worst hazardous waste sites, particularly those on the National Priorities List (NPL). The program made progress in the 1990s, especially in increasing the number of sites in the final phase of the cleanup process, but more work remains. As of the end of fiscal year 1998, EPA had identified 585 of 1,361 current and former NPL sites as "construction complete," meaning that all physical construction work required for the cleanup effort (capping a landfill, installing a groundwater treatment system, and the like) was done. Conversely, remedy construction had begun but had not been completed at 457 current NPL sites and had not yet started at 319 sites. In addition, EPA has proposed that another 66 sites be added to the list, and hundreds more sites with NPL-caliber problems probably remain to be identified.

Although the Congress could choose to end the program at any time, one notable occasion to do so might be the forthcoming depletion of the Hazardous Substance Superfund, the trust fund that has been the main source of the program's appropriations. The trust fund balance has declined since Superfund's "environmental income tax" on corporations and excise taxes on oil, petroleum products, and certain chemicals expired in 1995. The trust fund is projected to end fiscal year 1999 with an unappropriated balance of roughly $1.5 billion, more than enough for fiscal year 2000 given current levels of spending and appropriations from the general fund. If the end of 2000 is too close at hand to allow a safe and orderly program shutdown, the Congress could reduce annual spending to stretch the same total funding for additional months or years.

The argument for spending the trust fund balance and terminating the program proposes that Superfund efforts are not worthwhile, at least not at the federal level. Superfund's critics argue that the program's cost is disproportionate to the threat represented by hazardous waste sites and that its system of retroactive, joint-and-several liability is irremediably inefficient and unfair. They also argue that waste sites are local problems that are more appropriately handled by the states, almost all of which have their own hazardous waste cleanup programs for sites not addressed under federal law. In addition, although depleting the trust fund has no budgetary significance, it provides a near-term opportunity to shut the program down—unlike, for example, merely closing the NPL to new sites, which would require maintaining some federal program for most or all of the next decade.

Superfund's defenders point to evidence linking Superfund sites to human health problems, including birth defects, leukemia, cardiovascular abnormalities, respiratory illnesses, and immune disorders, and note that the public places a high priority on waste cleanup. They argue further that Superfund has reduced costs and completed more cleanups in recent years and that modest legislative reforms can improve the program. Finally, they note that states vary widely in their capacity to handle NPL-caliber problems.

# 300-05 CHARGE MARKET RATES FOR INFORMATION PROVIDED BY THE NATIONAL WEATHER SERVICE

| | Added Receipts (Millions of dollars) |
|---|---|
| **Annual** | |
| 2000 | 2 |
| 2001 | 2 |
| 2002 | 2 |
| 2003 | 2 |
| 2004 | 2 |
| 2005 | 2 |
| 2006 | 2 |
| 2007 | 2 |
| 2008 | 2 |
| 2009 | 2 |
| **Cumulative** | |
| 2000-2004 | 10 |
| 2000-2009 | 20 |

SPENDING CATEGORY:

Mandatory

RELATED OPTION:

300-06

The National Weather Service (NWS) provides weather and flood warnings, public forecasts, and severe-weather advisories to protect lives and reduce property damage from those hazards. The annual budget for such services, including operating weather satellites, is about $1 billion.

Currently, the NWS allows open access to all of its weather data and information services. Access to that information has contributed substantially to the growth of the weather service information industry, which transforms NWS data and general forecasts for large areas into marketable specific forecasts. Estimates suggest that the private weather information industry has revenues ranging from $300 million to $400 million a year. Commercial users—such as the Weather Channel and Accu-Weather—pay fees only for the costs of computer hookups and transmission of NWS data. Such fees are a small fraction of the fair market value of those services. Moreover, the NWS charges nothing for information received from its satellite broadcasts or Internet site.

Charging fees that are based on the fair market value of access to that information, except for severe-weather warnings, could raise $2 million in 2000, $10 million over five years, and $20 million over 10 years. Charging market value for general weather information would lessen its dissemination but encourage the production and presentation of more useful information than is now available. Supporters of this option contend that charging market-based fees would not substantially reduce the public's access to weather reports. For example, as long as the news media will pay for private forecasts, the market will demand NWS products. In addition, because the fees would not apply to severe-weather warnings, the safety of the general public would not be compromised. Many European nations routinely charge users for weather information provided by their satellites. For example, the British Meteorological Office raises over $30 million a year from commercial customers.

In the past, the NWS viewed charging fair market fees as a significant barrier to the public's access to its information. The Omnibus Budget Reconciliation Act of 1990 attempted to set fees based on the fair market value of NWS data and information, except for information related to warnings and watches, information provided under international agreements, and data for nonprofit institutions. However, the NWS received approval from the Office of Management and Budget to reset the user fee to recover only the cost of disseminating the information.

# 300-06 ELIMINATE THE NOAA WEATHER RADIO NETWORK

| | Savings (Millions of dollars) Budget Authority | Outlays |
|---|---|---|
| **Annual** | | |
| 2000 | 12 | 8 |
| 2001 | 12 | 11 |
| 2002 | 12 | 11 |
| 2003 | 12 | 12 |
| 2004 | 12 | 12 |
| 2005 | 12 | 12 |
| 2006 | 12 | 12 |
| 2007 | 12 | 12 |
| 2008 | 12 | 12 |
| 2009 | 12 | 12 |
| **Cumulative** | | |
| 2000-2004 | 60 | 54 |
| 2000-2009 | 120 | 114 |

SPENDING CATEGORY:

Discretionary

RELATED OPTION:

300-05

The National Weather Service (NWS) uses the National Oceanic and Atmospheric Administration's (NOAA's) Weather Radio Network to sound the alarm when it broadcasts emergency messages. The Weather Radio Network broadcasts official warnings and hazard information, as well as local forecasts, 24 hours a day using a national network of over 480 transmitters. Weather radios, which cost from $25 to $100, have a special signal receptor and automatically turn on when the NWS issues a warning. The radio signals also alert weather spotters, who provide supplemental information that enables forecasters to issue more accurate and more timely warnings and advisories to the public regarding hazardous weather.

A 1983 Booz-Allen & Hamilton study recommended eliminating the Weather Radio Network, which would lower discretionary outlays by $8 million in 2000, $54 million over the 2000-2004 period, and $114 million over 10 years. The study argued that the private media were widely disseminating weather forecasts and NWS products and that less than 5 percent of the population relied on the network as their main source of information. Because transmitters' signals extend only a distance of 40 miles, many rural areas do not receive broadcasts of NWS weather and flood warnings. Moreover, because most of the advance tornado warnings issued are false alarms, many owners of weather radios have disengaged the warning beeps.

Eliminating the Weather Radio Network, however, could lead to more deaths from severe weather. The Administration believes that the NOAA network performs an essential public safety role that cannot be easily assumed by commercial radio and wants to make the weather radios as common in the home as smoke detectors. The President's 1997 budget proposed replacing and modernizing the NOAA Weather Radio Network transmitters to strengthen the system after a tornado killed 20 people in a rural Alabama church despite a 12-minute warning issued by the Birmingham weather office. The NWS is increasing coverage to 95 percent of the population from the current 70 percent to 80 percent and now issues warnings for about 60 percent of tornadoes, a sharp increase in the last 10 years. In fact, warnings issued in 1998 with as much as a 15-minute lead time saved lives in three states.

# 300-07 CHANGE THE REVENUE-SHARING FORMULA FROM A GROSS-RECEIPT TO A NET-RECEIPT BASIS FOR COMMERCIAL ACTIVITIES ON FEDERAL LANDS

| | Savings (Millions of dollars) Budget Authority | Outlays |
|---|---|---|
| **Annual** | | |
| 2000 | 185 | 185 |
| 2001 | 185 | 185 |
| 2002 | 185 | 185 |
| 2003 | 185 | 185 |
| 2004 | 190 | 190 |
| 2005 | 190 | 190 |
| 2006 | 190 | 190 |
| 2007 | 195 | 195 |
| 2008 | 195 | 195 |
| 2009 | 200 | 200 |
| **Cumulative** | | |
| 2000-2004 | 930 | 930 |
| 2000-2009 | 1,900 | 1,900 |

SPENDING CATEGORY:

Mandatory

RELATED OPTIONS:

300-01 and 300-09

The federal government owns about 650 million acres of public lands—nearly one-third of the United States' land mass. Those lands contain a rich supply of natural resources: timber, coal, forage for livestock, oil and natural gas, and many nonfuel minerals. Private interests have access to much of the federal land to develop its resources and generally pay fees to the federal government depending on the commercial returns realized. In many cases, the federal government allots a percentage of those receipts to the states and counties containing the resources, as compensation for tax revenues they did not receive from the federal lands within their boundaries. The federal government typically calculates those allotments on a gross-receipt basis before accounting for its program costs. The practice sometimes causes the federal government's costs to exceed its share of receipts. Shifting payments to a net basis would reduce federal outlays.

In most cases, the Forest Service is required to allot 25 percent of its gross receipts from commercial activities in the national forests to the respective states and counties. The Department of the Interior allots 4 percent of its timber receipts, an average of 18 percent of its grazing fees, and 4 percent of its mining fees from "common variety" materials to the states; the department's Minerals Management Service (MMS) allots 50 percent of its adjusted onshore oil, gas, and other mineral receipts to the states. The MMS deducts 50 percent of its administrative costs from the gross-receipt calculation before distributing those payments. In effect, the states share 25 percent of the burden of those administrative costs. On certain federal lands—specifically, national forests affected by protection of the spotted owl and the Oregon and California grant lands—payments to states and counties are guaranteed on the basis of an average of past payments. (Such guaranteed payments expire after 2003. This option assumes that administrative costs would be deducted from the guaranteed payments on the basis of past receipts and from other state payments on the basis of current receipts.)

Federal savings would be substantial if the Congress required those agencies to deduct their full program costs from gross receipts before paying the states. The regional jurisdictions would continue to receive the same allotted percentage of net federal receipts and accrue receipt shares totaling about $645 million in 2000. The projected savings do not include potential federal cost increases under the Payment in Lieu of Taxes (PILT) program, which was established to offset the effects of nontaxable federal lands on local governments' budgets. Payments in lieu of taxes are partially reduced by the amount of revenue-sharing payments from federal agencies. Payments under the PILT program would increase by about $30 million a year beginning in fiscal year 2000 if net program receipts were shared and the Congress appropriated such an increase.

Changing the revenue-sharing formula to a net-receipt basis would probably cause economic hardship to the respective states and counties, greatly reducing their revenue. That might lead to severe cuts in state and county spending. To help alleviate that hardship, the formula could switch gradually to the net-receipt basis over several years.

# 300-08 CHARGE ROYALTIES AND HOLDING FEES FOR HARDROCK MINING ON FEDERAL LANDS

| | Added Receipts (Millions of dollars) |
|---|---|
| **Annual** | |
| 2000 | 36 |
| 2001 | 44 |
| 2002 | 41 |
| 2003 | 41 |
| 2004 | 41 |
| 2005 | 41 |
| 2006 | 41 |
| 2007 | 41 |
| 2008 | 41 |
| 2009 | 41 |
| **Cumulative** | |
| 2000-2004 | 203 |
| 2000-2009 | 408 |

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-01, 300-07, 300-09, and 300-12

RELATED CBO PUBLICATIONS:

*Review of the American Mining Congress Study of Changes to the Mining Law of 1872* (Memorandum), April 1992.

*Alternative Proposals for Royalties on Hardrock Minerals* (Testimony), May 1993.

The General Mining Law of 1872 governs access to hardrock minerals—including gold, silver, copper, and uranium—on public lands. Any holder of more than 10 mining claims on public lands must pay an annual holding fee of $100 per claim, and all claimholders must pay a $25 location fee when recording a claim. But unlike producers of fossil fuels and other minerals from public lands, miners do not pay royalties to the government on the value of the hardrock minerals. In addition, authorization to collect the holding and location fees expires in 2000. Estimates place the current gross value of hardrock minerals production at about $650 million annually (excluding claims with so-called first-half patents). That sum has diminished greatly in recent years because of patenting activity. (In patenting, miners gain title to public lands by paying a one-time fee of $2.50 or $5.00 an acre.) The Congress has debated reforming the General Mining Law for the past several years. Legislation calling for royalties was introduced in the 105th Congress and passed (but not enacted) in the 104th Congress (H.R. 2491) and the 103rd Congress (H.R. 322). The royalty rate and the basis for royalties varied in that legislation.

This option considers an 8 percent royalty that the Congress could impose on the production of hardrock minerals from public lands. The royalty would be on net proceeds as defined in H.R. 2491 (that is, sales revenues minus costs that include mining, separation, transportation, and other items). The option would also reauthorize the current holding fee and location fee and assumes such fees would be recorded as offsetting receipts to the Treasury. (They currently are counted as offsetting collections to appropriations.) Total budgetary savings from those actions would be $408 million over the 2000-2009 period. Of that total, royalty collections account for about $78 million, and reauthorization of holding and location fees, about $330 million. Those estimates assume that states in which the mining takes place receive 25 percent of the gross royalty receipts. They also assume that no further patenting of public lands takes place. (In comparison, royalties based on gross proceeds would raise more. In general, the costs of administering any net proceeds royalty would exceed those for a gross proceeds royalty.)

People in favor of reforming mining law—including many in the environmental community—argue that low holding fees and zero royalties make it less costly to produce on federal lands than on private lands (where payment of royalties is the rule). That policy encourages overdevelopment of public lands, which may cause severe environmental damage. Reforming the law could promote other uses of those lands, such as recreation and wilderness conservation.

Opponents of reform argue that without free access to public resources, exploration for hardrock minerals in this country—especially by small miners—would decline. They also argue that royalties would diminish the profitability of many mines, leading to scaled-back operations or closure and adverse economic consequences for mining communities in the West. Because many mineral prices are set in world markets, miners would be unable to pass along new royalty costs to consumers.

# 300-09 RAISE GRAZING FEES ON PUBLIC LANDS

| | Added Receipts (Millions of dollars) |
|---|---|
| **Annual** | |
| 2000 | 2 |
| 2001 | 4 |
| 2002 | 6 |
| 2003 | 8 |
| 2004 | 10 |
| 2005 | 11 |
| 2006 | 13 |
| 2007 | 14 |
| 2008 | 15 |
| 2009 | 16 |
| **Cumulative** | |
| 2000-2004 | 30 |
| 2000-2009 | 100 |

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTION:

300-07 and 300-08

The federal government owns and manages about 650 million acres of U.S. land. The land has many purposes, including grazing of privately owned livestock. Cattle owners compensate the government for using the land by paying grazing fees; the fees, however, may not give the public a fair return.

The Forest Service and the Bureau of Land Management (BLM) administer livestock grazing on public rangelands in the West. In 1997, ranchers were authorized to use about 17 million animal unit months (AUMs)—a standard measure of forage—for grazing on those lands. In 1990, the appraised value of public rangeland in six Western states varied between $5 and $10 per AUM. A 1993 study indicated that the Forest Service and BLM spent $4.60 per AUM in that year to manage their rangelands for grazing. The 1993 permit fee, however, was $1.86 per AUM. Thus, the current fee structure may subsidize ranchers. (The 1999 fee is $1.35 per AUM under the current fee formula.)

The Public Rangelands Improvement Act of 1978 established the current formula for grazing fees. It uses a 1966 base value of $1.23 per AUM and makes adjustments to account for changes in beef cattle markets and production input markets. The Congress has considered various proposals to increase grazing fees. The increase in federal receipts resulting from any such proposal depends on the degree to which ranchers reduce their use of AUMs in response to higher fees. One proposal is to allocate grazing rights through a bidding process as long as competition is not too limited. Another option is to follow the states' lead. The federal government would determine grazing fees for federal lands in each state the same way the particular state determines grazing fees on state-owned lands. The government would implement this proposal over 10 years as existing permits expired. The savings estimate is net of additional payments to states of about $28 million. It does not include any additional appropriations for range improvements that could result from added receipts.

Proponents of this option believe that low fees that subsidize ranching contribute to overgrazing and deteriorated range conditions. They support the approach of following decisions made at the state level and reject the one-size-fits-all nature of the current federal fee. State grazing fees and the means of calculating them vary widely by state and sometimes even within a state. Supporters of this approach also point out that states' interest in the revenue received from both state and federal fees lessens any incentive to manipulate state fees to lower federal fees.

Opponents of this approach note that state rangelands may be more valuable than federal lands for grazing purposes. Some systems used by states to establish fees may not reflect those differences in land quality and conditions of use when applied to federal lands. For example, that concern does not exist in states using auction or appraisal systems for fee setting. People in states using fee formulas, however, have that concern. Opponents also point out that the administrative costs of using different procedures to establish federal grazing fees in each state will be higher than those incurred under the current uniform federal fee structure. (This option does not consider possible differences in administrative costs.)

# 300-10 RECOVER COSTS ASSOCIATED WITH ADMINISTERING THE U.S. ARMY CORPS OF ENGINEERS PERMITTING PROGRAMS

| | Added Receipts (Millions of dollars) |
|---|---|
| **Annual** | |
| 2000 | 7 |
| 2001 | 14 |
| 2002 | 14 |
| 2003 | 14 |
| 2004 | 14 |
| 2005 | 14 |
| 2006 | 14 |
| 2007 | 14 |
| 2008 | 14 |
| 2009 | 14 |
| **Cumulative** | |
| 2000-2004 | 63 |
| 2000-2009 | 133 |

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTION:

300-13

RELATED CBO PUBLICATION:

*Regulatory Takings and Proposals for Change* (Study), December 1998.

The Department of Army, through the U.S. Army Corps of Engineers, administers laws pertaining to the regulation of U.S. navigable waters, including wetlands. Section 404 of the Clean Water Act (CWA) requires that any private, commercial, or government actor desiring to dredge or place fill material in U.S. waters or wetlands must obtain a permit from the Corps. By increasing permit fees, the Corps could recover a portion of its annual regulatory costs. Imposing one type of fee structure for section 404 permitting—a cost-of-service fee on commercial applicants—would generate $7 million in 2000 and $14 million in 2001 and each of the following years.

From rather inauspicious beginnings, section 404 of CWA has grown to become the core of the nation's effort to protect wetlands. As legally interpreted, the terms "dredge" and "fill" encompass virtually any activity on a wetland in which dirt is moved, effectively granting the Corps permitting jurisdiction over all wetlands, including those not associated with traditionally navigable waterways. In fiscal year 1999, the Corps's regulatory program budget is $106 million, which mainly funds permitting activities. In fiscal year 1996 (the most recent year for which data are available), the Corps received about 65,000 applications for section 404 permits for discharging dredged or fill materials. Under section 404, the Corps is required to evaluate each permit application and grant approval or denial on the basis of expert opinion and statutory guidelines. The bulk of the permits are quickly approved through outstanding general or regional permits, which grant authority for many low-impact activities. Evaluation of permits not covered by outstanding permits may require the Corps to conduct detailed, lengthy, and costly reviews.

Currently, fees levied for commercial and private permits are $100 and $10, respectively. Government applicants do not pay a fee. The fee structure has not changed since 1977. Total fee collections fall far short of covering the costs of administering the permitting program, particularly for applications requiring detailed review. The Administration has proposed changing the permit fee structure: its Wetland Plan would increase permit fees for commercial projects and eliminate the fees for private, noncommercial projects.

Proponents of higher fees argue that parties pursuing a permit should bear the cost of the permit—not the general taxpaying public. Since permit seekers are advancing a private interest whose benefits accrue to a private party, the costs should be borne by that party. Taxpayers should not have to pay for something that advances the interests of a comparative few.

Permit seekers oppose such fees because they do not want to fund something that may ultimately deny them the right to use their land in the way they choose. The goal of the section 404 permitting program is to advance a public interest by protecting wetlands. Since society benefits from wetlands protection, often at the perceived expense of property owners, society should pay. Furthermore, the regulatory process that property owners must navigate is already onerous, and raising the permit fees would add yet another cost, further infringing on property owners' rights.

# 300-11 IMPOSE USER FEES ON THE INLAND WATERWAY SYSTEM

| | Added Receipts (Millions of dollars) |
|---|---|
| **Annual** | |
| 2000 | 170 |
| 2001 | 450 |
| 2002 | 470 |
| 2003 | 470 |
| 2004 | 470 |
| 2005 | 470 |
| 2006 | 470 |
| 2007 | 470 |
| 2008 | 470 |
| 2009 | 470 |
| **Cumulative** | |
| 2000-2004 | 2,030 |
| 2000-2009 | 4,380 |

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTION:

300-13

RELATED CBO PUBLICATION:

*Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* (Study), May 1992.

The Congressional Budget Office estimates that the Congress annually appropriates about $650 million for the nation's inland waterway system. Of that total, about $475 million is for operation and maintenance (O&M) and about $175 million is for construction. Current law allows up to 50 percent of inland waterway construction to be funded by revenues from the inland waterway fuel tax, a levy on the fuel consumed by barges using most segments of the inland waterway system. All O&M expenditures are paid by general tax revenues.

Imposing user fees high enough to recover fully both O&M and construction outlays for inland waterways would reduce the federal deficit by $170 million in 2000 and $2.0 billion during the 2000-2004 period. The receipts could be considered tax revenues, offsetting receipts, or offsetting collections, depending on the form of the implementing legislation. Receipts could be increased by raising fuel taxes, imposing charges for lockage, or imposing fees based on the weight of shipments and distance traveled. The estimates do not take into account any resulting reductions in income tax revenues.

Imposing higher fees on users of the inland waterway system could improve the efficiency of its use by forcing shippers to choose the most efficient transportation route rather than the most heavily subsidized one. Moreover, user fees would encourage more efficient use of existing waterways, reducing the need for new construction to alleviate congestion. Finally, user fees send market signals that identify the additional projects likely to provide the greatest net benefits to society.

The effects of user fees on efficiency would depend largely on whether the fees were set at the same rate for all segments of a waterway or on the basis of the cost of each segment. Since costs vary dramatically by segment, system-wide fees would offer weaker incentives for cost-effective spending because they would cause users of low-cost segments to subsidize users of high-cost segments. Fees based on the cost of each segment, by contrast, could cause users to abandon high-cost segments of the waterways.

One argument against user fees is that they may repress regional economic development. Imposing higher user fees would also lower the income of barge operators and grain producers in some regions, but those losses would be small in the context of overall regional economies.

# 300-12 OPEN THE COASTAL PLAIN OF THE ARCTIC NATIONAL WILDLIFE REFUGE TO LEASING

| | Added Receipts (Millions of dollars) |
|---|---|
| **Annual** | |
| 2000 | 0 |
| 2001 | 0 |
| 2002 | 0 |
| 2003 | 0 |
| 2004 | 1,150 |
| 2005 | 1 |
| 2006 | 1 |
| 2007 | 1 |
| 2008 | 1 |
| 2009 | 1 |
| **Cumulative** | |
| 2000-2004 | 1,150 |
| 2000-2009 | 1,155 |

SPENDING CATEGORY:

Mandatory

RELATED OPTION:

300-08

The Arctic National Wildlife Refuge (ANWR) consists of 19 million acres in northeastern Alaska, of which 1.5 million acres are coastal plain. The coastal plain is the yet-to-be-explored onshore area with perhaps the country's most promising oil production potential. It is also the least disturbed Arctic coastal region—valued for species conservation and subsistence use.

ANWR was established by the Alaska National Interest Lands Conservation Act of 1980. The refuge serves to conserve fish and wildlife habitats, fulfill related international treaty obligations, provide opportunities to continue indigenous lifestyles, and protect water quality. The act prohibits industry activity in ANWR unless specifically authorized by the Congress.

This option would open ANWR's coastal plain to leasing and development. Leasing would be likely to result in bonus bid payments, ongoing rental payments, and (once production begins up to 10 or more years after leasing) royalties. As in recent proposals, the Congressional Budget Office assumes the federal government would receive one-half of the offsetting receipts from those sources; the state of Alaska would receive the other half.

The Department of the Interior's most recent assessment of the area's economically recoverable undiscovered petroleum resources is expressed in probabilities and assumptions about the price of oil at the time of production. For this estimate, CBO assumed an average price of $18 per barrel (in 1996 dollars) during the 2010-2030 period, partly on the basis of the Energy Information Administration's price forecast for 2020. At $18 per barrel (delivered to the West Coast), the Department of the Interior estimates a 50 percent probability that at least 2.4 billion barrels of oil will be produced. Using that mean resource assessment and assuming ANWR lease sales are held within the next 10 years, CBO estimates that leasing ANWR would generate about $2.3 billion from bonus bids over the 2000-2009 period (with half of that amount going to Alaska). Conversely, if oil prices were to grow only at the rate of inflation after 2010, the Department of the Interior's mean resource assessment indicates that no oil would be economically recoverable from ANWR. At an expected price of $15 per barrel, leasing might not generate any significant proceeds for the government.

Arguments in favor of this option include the national security advantages of reducing dependence on imported oil. Most of ANWR would remain closed to development, and the part of the coastal plain that would be directly affected by oil drilling and production represents less than 1 percent of ANWR. Moreover, technological changes in the industry have improved its ability to safeguard the environment.

Arguments against this option include the short-term nature of the still uncertain gain from extracting a nonrenewable resource: it will not provide lasting energy security. The coastal plain is ANWR's most biologically productive area and sustains the biological productivity of the entire refuge. Industrial activity poses a threat to wildlife and the environment despite efforts to mitigate its impact.

# 300-13 IMPOSE A NEW HARBOR MAINTENANCE FEE

| | Added Receipts (Millions of dollars) |
|---|---|
| **Annual** | |
| 2000 | 180 |
| 2001 | 312 |
| 2002 | 260 |
| 2003 | 244 |
| 2004 | 205 |
| 2005 | 145 |
| 2006 | 79 |
| 2007 | 9 |
| 2008 | -66 |
| 2009 | -147 |
| **Cumulative** | |
| 2000-2004 | 1,201 |
| 2000-2009 | 1,221 |

NOTE: Figures are net of revenues lost from repealing the existing harbor tax.

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-10, 300-11, 400-06, and 400-07

On March 31, 1998, the Supreme Court found that the harbor maintenance tax (as it applied to exports) violated the constitutional restriction that "No tax or duty shall be laid on articles exported from any State." Collection of the tax as applied to exports ceased on April 25, 1998. One way to replace the revenue formerly generated by the harbor maintenance tax is to develop a new system of harbor fees that is constitutional. Under such a system, the commercial users of U.S. ports would pay a fee based on port use rather than a payment based on cargo value. Such fees would apply to imports, exports, and domestic shipments. Taxes currently levied on imports and domestic shipments would be rescinded. Moneys generated by the fee would help support harbor operation, construction, and maintenance. The Administration has proposed such a program.

The Army Corps of Engineers now spends about $875 million annually for costs associated with operating, constructing, and maintaining commercial ports nationwide. A major part of those activities is maintaining adequate channel depths. Replacing what remains of the harbor maintenance tax with a more comprehensive fee on commercial port users would generate $180 million in 2000, $312 million in 2001, and $1.2 billion over the 2000-2004 period.

Two arguments can be made for imposing a harbor maintenance fee program. First, harbor maintenance activities, such as dredging by the Corps of Engineers, provide a commercial service to identifiable beneficiaries. Modern and well-maintained ports save shippers money through lower unit costs of shipping on larger vessels and by minimizing inland transport costs. Exporters currently make no payments directly associated with their use of port facilities. Second, imposing a harbor fee program would have little effect on port use because the fees would result in charges on users similar to the ones users recently paid under the rescinded tax.

Whether the imposition of a harbor fee system will pass constitutional muster is uncertain. The establishment of such a system might be viewed by the Supreme Court as an unconstitutional export tax disguised by another name. A second legal concern with a fee program is whether it would violate international trade agreements, as several international trading partners allege of the harbor maintenance tax. Another drawback of the proposed fee system is that after several years, the cash it would generate would not keep pace with the revenue that the rescinded taxes would have generated. That is because tax collections based on the value of the goods shipped are projected to increase more quickly than the proposed fees, which would be tied to the costs of operating, constructing, and maintaining harbors.

# 300-14 TERMINATE ECONOMIC SUPPORT FUND PAYMENTS UNDER THE SOUTH PACIFIC FISHERIES TREATY

| | Savings (Millions of dollars) Budget Authority | Outlays |
|---|---|---|
| **Annual** | | |
| 2000 | 0 | 0 |
| 2001 | 0 | 0 |
| 2002 | 0 | 0 |
| 2003 | 14 | 14 |
| 2004 | 14 | 14 |
| 2005 | 14 | 14 |
| 2006 | 14 | 14 |
| 2007 | 14 | 14 |
| 2008 | 14 | 14 |
| 2009 | 14 | 14 |
| **Cumulative** | | |
| 2000-2004 | 28 | 28 |
| 2000-2009 | 98 | 98 |

SPENDING CATEGORY:

Discretionary

The South Pacific Fisheries Treaty is formally known as the Treaty on Fisheries Between the Governments of Certain Pacific Island States and the Government of the United States of America. Signed in April 1987, it lays out terms and conditions under which up to 55 U.S. flag commercial fishing vessels may use purse seine methods to catch tuna in territorial waters of 16 Pacific Island states, including Kiribati, Micronesia, and Papua New Guinea. Japan, Korea, and Taiwan have similar treaties providing access to the waters for their tuna fleets.

Associated with the treaty is an agreement on annual economic assistance paid by the United States to the South Pacific Forum Fisheries Agency. The agreement provides for amending, extending, or terminating that arrangement by written agreement. In addition, either party may terminate the agreement by giving the other party one year's written advance notice. An amended agreement went into effect in 1993 providing for $14 million annually from June 1993 to June 2002. This option would terminate the U.S. government's payments to the South Pacific Forum Fisheries Agency at the end of the current agreement in 2003.

Currently, the treaty also provides for an annual industry payment that covers license fees for up to 55 vessels as well as technical assistance to the Pacific Island parties. In addition, the treaty calls for the U.S. tuna industry to cover the cost of the observer program. From June 1993 to June 1998, industry payments for licenses and technical assistance under the treaty were $4 million annually. For that same period, on average, 40 U.S. flag vessels had access to tuna in the territorial waters of the South Pacific Island states each year. Thus, industry payments per vessel, excluding the cost of the observer program, averaged nearly $100,000 annually.

People in favor of terminating the economic support fund payments under the treaty believe that taxpayers are supporting the access of private vessels to the territorial waters of the party states at an annual rate of over $340,000 per vessel. If those payments accurately reflect part of the value of that access to the fisheries, such subsidization may encourage the overexploitation of fisheries.

People who oppose this option believe that the treaty is merely an expeditious vehicle, and the only vehicle, through which the United States provides financial assistance in keeping with its foreign policy interests to the nations in the South Pacific Forum Fisheries Agency. They argue that it is not a subsidy—the fishing industry's own payments under the treaty are comparable with those made by non-U.S. fleets. Those fleets obtain yearly licenses on a bilateral basis with any Pacific Island state of interest at a cost of 5 percent of the value of the previous year's catch.